

Exercise 17

The data below refer to a perfectly competitive firm. All costs are in Indian rupees. Assume that FC are Rp1,000 and that the market price is Rp1,400.

Output (Q)	VC
1	1,200
2	2,200
3	3,000
4	3,600
5	4,400
6	5,400
7	6,600
8	8,000
9	9,600
10	11,400
11	13,400

- 1 What is the profit maximizing level of output? (Choose the highest Q for which the condition is satisfied.)
- 2 Calculate profits.
- 3 What is the shut-down price equal to?
- 4 Answer the same questions assuming that FC increase to Rp5,000. Explain why some answers do not change.
- 5 Answer all of the above assuming market price increased to Rp1,800.